Australia: Medical Equipment

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Summary

Australia is a mature market for medical equipment and has a sophisticated healthcare system. The sector provides excellent prospects for U.S. exporters of quality products and innovative technology. Australia imports most of the medical products consumed and exports most of the medical products produced. Approximately 90 percent of devices and diagnostics in Australia are imports. The U.S. is the major supplier, followed by the European Union.

Market Demand

Australia has a population of 20 million people. The market for medical equipment is mature, competitive, and price-sensitive. Australia has a high per capita income and there is demand for a full range of sophisticated medical equipment. The market value is approximately US$2.5 billion, representing about one percent of the global market.

Australia spends 8.8 percent of GDP on healthcare. As a proportion of GDP, this is comparable to other OECD countries such as Italy (8.9 percent) and Canada (9.8 percent), slightly more than the United Kingdom (8.3 percent), but considerably less than the United States (15.3 percent). Healthcare spending is growing at approximately 3.1 percent annually.

Australia enjoys a high standard of medical practice, and the demand for medical products is growing due to increasing affluence; the increase in life expectancy; and the expectation of state-of-the-art medical treatment by an educated population. Healthcare provisions and funding comes from the public and private sectors, and the quality of health provided is high in both sectors. Australia has a government-funded healthcare scheme. The Federal government funds approximately 46 percent of all health spending, the State governments 22 percent, and the private sector 32 percent.

Market Data

In 2007, Australia was the tenth largest export market for U.S. medical equipment, and the third largest market in the Asia Pacific region:

Table 1: U.S. exports of medical equipment[1], 2007

Country	US$ '000s
Japan	3,242,046
Netherlands	2,967,682
Germany	2,636,526
Canada	2,485,290
Belgium	1,491,143
Mexico	1,470,194
United Kingdom	1,267,755
France	1,248,232
Ireland	1,134,782
Australia	**933,363**
Switzerland	832,940

[1]*HS Codes used:* 9018 Medical, Surgical, Dental Or Vet Inst, No Elec, Pt; 9019 Mech-Ther, Massage, Psych Test, Ozone App Etc, Pts; 9021 Orthopedic Appl; Artif Body Pts; Hear Aid; Pts Etc; 9022 X-Ray Etc Apparatus; Tubes, Panels, Screen Etc, Pt.

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

Most of Australia's demand is supplied by imports:

Table 2: Australian imports of medical equipment[1], 2007

Country	US$ '000s	% share
United States	**1,091,130**	**39%**
Germany	257,666	9%
Ireland	231,337	8%
Switzerland	203,508	7%
United Kingdom	132,460	5%

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Source: World Trade Atlas.
Exchange rate: AUD1.00 = USD0.95

Best Prospects

Australia's high standard of medical practice demands a continuing need for a range of sophisticated, high quality, and innovative medical equipment. Opportunities exist for products that provide a significant improvement in clinical outcomes, and products with clearly differentiated capabilities and capacities. There is a growing demand for products that lead to faster patient recovery and return to active daily life, and those that reduce hospital and rehabilitation costs.

Australia has an ageing population that underpins continued growth in patient demand. Opportunities exist for products that alleviate disability and chronic pain.

The growth of Australia's chronic disease burden is similar to the global trend. Australians are increasingly suffering from asthma; cancer; diabetes; heart, stroke, and vascular disease; osteoarthritis; and osteoporosis. Opportunities exist for technologies that avert or reduce disability as a result of these diseases; diagnostic, ophthalmology, orthopedic, and wound care products; and products that address an increasing incidence of obesity.

Funding is a major issue faced by both private and public hospitals. As a result of new medical technologies, both public and private hospitals are changing the delivery of patient care. With advances in technology, the average length of stay in hospitals has decreased, and same-day separations have increased. Some treatments that previously required admission to hospital are now provided in outpatient clinics, community services, and through "hospital-in-the-home" programs.

Day surgery represents more than 20 percent of all surgery performed. By boosting day procedures and day services offered, hospitals can make better use of existing infrastructure. There are opportunities for U.S. products and services that address minimally invasive surgical procedures and techniques, and contribute towards the trend in shorter hospital stays and day surgery.

Key Suppliers

Australia's demand for medical products is primarily supplied by imports. Due to its perceived high quality, medical equipment from the United States is traditionally well received in Australia. The United States is Australia's principal supplier followed by the European Union and Japan. Under the Free Trade Agreement between the United States and Australia, medical equipment continues to receive duty-free treatment.

Many of the major American medical companies are represented in Australia either through local representatives or subsidiary offices including: Bard, Baxter Healthcare, Boston Scientific, Cook Medical, Johnson & Johnson Medical, Medtronic, St. Jude Medical, and Stryker.

Local manufacture of medical products is limited and is dominated by two manufacturers: Cochlear (hearing devices) and Resmed (respiratory devices). Other local producers include small companies specializing in niche applications in the fields of cardiovascular, diagnostics, orthopedics, and respiratory. The majority of locally produced products are exported.

Customer and market uptake and acceptance of new medical products is fast, however, new-to-market U.S. companies may experience strong competition from U.S. companies or multinationals already in the market. Many suppliers in the Australian industry are subsidiaries of overseas corporations.

Prospective Buyers

The public and private sectors provide healthcare delivery in Australia. Public spending by Federal and State governments accounts for two-thirds of total healthcare expenditure (68 percent). The non-government sector (individuals, private health insurance) funds the remaining 32 percent. Approximately 44 percent of Australians have private health insurance. The Australian government directly subsidizes access to medical services through the Medicare Benefits Scheme.

Most of the demand for medical equipment is from the 750 public hospitals and 560 private hospitals located throughout Australia. Industry sources advised that, depending on the type of product, approximately 50 percent of sales are made to the public sector and 50 percent to the private sector.

Large, urban public hospitals provide the majority of complex hospital care such as emergency, intensive care, major surgery, organ transplants, renal dialysis and specialist outpatient clinics. Historically, private hospitals provide less complex, non-emergency care such as elective surgery, however, some private hospitals are increasingly providing complex, high technology services. More than 50 percent of surgical procedures are performed in private hospitals.

As the costs of maintaining a public healthcare system are increasing, public hospital administrators and medical staff are directed to choose the best product available to conduct procedures at the lowest possible cost. Although government policy and activity in the provision of public health services is a major factor in the demand for medical equipment, the provision of health services by the private sector is increasing. Further increases are likely due to the rise in the number of Australians with private health insurance; the corporatization of services such as pathology, radiology and general practice; and the expanding role of the private sector in the care of Australia's ageing population.

Procurement for public hospitals is on a State-basis and varies by State. Many States have moved towards a centralized buying system. Standard, widely used, high-volume items such as consumables, and high-value items are generally purchased through a State government contract. Additionally, State governments arrange for "period contracts" where hospitals can select from a list of suppliers for items such as high-value medical equipment. If no State government contract is in place, hospitals can tender, contract, and purchase independently non-standard products; irregular or one-off purchases; or complex items that are critical to the operation of a particular function within a hospital or a small number of hospitals, for example, cardiac stents.

To reduce pressure on the public health care system, the Australian government provides a 30 percent rebate to Australians taking out private health insurance. This enables more people to seek hospital care in the private sector. Private hospitals provide 32 percent of all hospital beds; 40 percent of all hospital separations; and 56 percent of all surgery. Private hospitals are funded by their owners and operators, and procure through a central procurement process between a group of hospitals, or purchase individually. Private health insurers reimburse most hospital expenses for privately insured patients. As a result of long waiting lists at public hospitals, private hospitals are increasing their share of surgeries such as orthopedics, ophthalmology, and cardiovascular disease.

Many Australian physicians and surgeons undertake some postgraduate training in the United States and are familiar with and influenced by U.S. technology .

Market Entry

The Australian Therapeutic Goods Administration (TGA) approves and regulates all medical equipment sold in Australia. The Australian Register of Therapeutic Goods (ARTG) is the central register for the import, export, and legal supply of therapeutic goods. Medical devices are classified according to the degree of risk associated with their application.

To include a medical product in the ARTG requires an application to the TGA from an Australian sponsor of the product. U.S. exporters therefore need to appoint an Australian representative/sponsor to obtain regulatory approval by the TGA.

Australia's regulatory framework is based on Global Harmonization Task Force (GHTF) and the European Community (EC) guidelines, which facilitates approval for. U.S. manufacturers with CE-marked devices.
If a U.S. manufacturer does not have a European Union European Community certificate, the manufacturer should apply for a European Community certificate from a European Union Notified Body. If this is not possible, the manufacturer can apply to the TGA for a Conformity Assessment Certificate and undergo conformity assessment by the TGA.

Further information on Australia's regulatory system for medical devices can be obtained from the TGA's website: http://www.tga.gov.au/devices/devices.htm

Trade Events

HOSPImedica Australia 2008
13-15 May, 2008
Sydney Convention and Exhibition Centre
http://www.hospimedica-australia.com/general_info.html

This is the first year that HOSPImedica is held in Australia. The exhibition will showcase hospital, diagnostic, pharmaceutical, medical and rehabilitation, equipment and supplies.

Resources & Contacts

Department of Health and Ageing
www.health.gov.au

Therapeutic Goods Administration (TGA)
Website: www.tga.gov.au

For More Information

The U.S. Commercial Service in Sydney, Australia can be contacted via e-mail at: Monique.Roos@mail.doc.gov; Phone: +61 2 9373 9210; Fax: +61 2 9221 0573; or visit our website: www.buyusa.gov/australia.

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